INFORMATION PAPER

CEIM-L
20 Nov 98

SUBJECT: Information Technology (IT) Investment Decision Process

1. Purpose. To provide summary information about GAO/OMB guidance on IT investment decisions.

2. Facts. a. In FY96, executive agencies are expected to spend more than $26 billion for information technology, with the Corps' share conservatively estimated at $300 million. This spending for IT resources represents a critical investment of public tax dollars. Creating a government that works better and cost less, particularly in an era of reduced budgets and downsizing, requires agencies to make good management decisions on their IT investments.

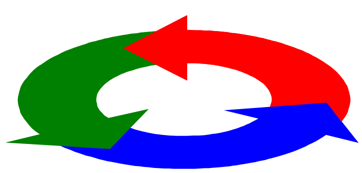
b. The Paperwork Reduction Act of 1995 and the Information Technology Management Reform Act (ITMRA) of 1996 mandates changes to significantly improve the way the Federal government acquires and manages information technology. Agencies have the clear authority and responsibility to make measurable improvements in mission and program performance and delivery of services to the public through the strategic application of information technology. The ITMRA created a direct link to the Government Performance and Results Act of 1993 and requires agencies to integrate IT planning with the agency's strategic business planning and identify quantitatively the cost-benefit of their IT investments to program performance.

c. OMB Circular A-130, which is under revision, will incorporate GAO/OMB's *"A Practical Guide, Evaluating Information Technology Investments,"* dated November 1995. This guide provides a systematic approach to manage the risks and returns of IT investments for any agency mission and/or program. The approach is based upon research on what leading organizations consider the primary focus in acquiring and managing information technology: investment selection, control, and evaluation. The process starts with prioritizing funding requests to maximize the value from use of scarce public resources and ends with clear evidence of positive net benefit to the public for dollars invested. The process involves balancing potential benefits, *based upon agency defined information economics criteria,* against costs and risks and aligning strategic and tactical goals with proposed IT and automated information systems investments.

d. The following figure graphically depicts the IT Investment Decision Process.

Select: How do you know you have selected the best IT/AIS projects?

Evaluate: Based upon your evaluation did the IT/AIS investment deliver what you expected?



Control: What are you doing to ensure that the IT/AIS projects will deliver the benefits projected?

e. The IT investment process an agency designs should match the agency's culture and organizational structure. The overriding objective of the process is that senior managers be able to systemically maximize the benefits of their IT investments. While each phase of the investment process has its own requirements for successful execution, there are three overall organizational attributes that are critical to success. These shared, critical attributes are: (1) senior management attention, (2) overall mission/program focus, and (3) a comprehensive portfolio approach to IT investments.

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